

Pylons, Pipes and People

The changing role of energy networks in Scotland

Background

- > The electricity and gas distribution networks take energy from the wires and pipes of the transmission network and convert it into lower voltages and pressures so that it can be delivered safely into homes and businesses.
- > Scottish and Southern Energy Networks (SSEN) and Scottish Power Energy Networks (SPEN) are the two electricity Distribution Network Operators (DNOs) serving Scotland. SGN is the sole Gas Distribution Network (GDN) serving Scotland.
- > These privatised networks operate as regulated monopolies, overseen by the energy regulator Ofgem, with standards set for performance and limits set on what the network operators can charge their customers.
- > Network costs typically account for 26% of the average dual fuel energy bill. In Scotland this equates to around £262 per household per year.

Key Issues

- > GDNs and DNOs have operated under RIIO (Revenue=Incentives + Innovation + Outputs) 1 price control framework since 2013 and 2015 respectively. The framework governs their investment programmes and budgets to 2021 (for gas) and 2023 (for electricity).
- > Through the RIIO programme network companies have also been incentivised to support the customers they serve. The Stakeholder Engagement and Consumer Vulnerability (SECV) incentive falls into the social obligations category of RIIO ED1 and is set to continue into RIIO 2. The SECV provides a discretionary, non-prescriptive incentive for networks to take innovative action to help mitigate fuel poverty and consumer vulnerability.
- > **Our 2018 research found that** Scottish DNOs are lagging behind other DNOs in their support for vulnerable consumers. In 2016-17 both of the Scottish DNOs ranked lowest in Ofgem's Stakeholder Engagement and Customer Vulnerability (SECV) incentive.

SCOTTISH ENERGY NETWORKS

SUPPORT FOR VULNERABLE
HOUSEHOLDS

ENERGY NETWORK COMPANY
PERFORMANCE

SUPPORT FOR VULNERABLE
CONSUMERS IN THE ENERGY
TRANSITION

SCOTTISH ENERGY NETWORK FACTS

26%
of energy bill is for
network costs

£262
average annual
household
network charge
in Scotland

Key recommendations relating to future policy and practice

Our recommendations:

- > Scottish DNOs should invest further and increase the reach of programmes for vulnerable consumers across all of Scotland, supported by the appropriate organisations and Ofgem
- > Confidence was found to be falling in the RIIO -ED1 Stakeholder Engagement and Customer Vulnerability (SECV) incentive scheme. Ofgem should take steps, such as improving the consistency in its approach to assessment and providing feedback, to re-establish confidence in the SECV assessment process.
- > A forward thinking approach with the appropriate support for consumers is needed to ensure that no one in Scotland gets left behind in the transition to a smarter electricity network.
- > Whole system planning is necessary to ensure that electricity networks are integrated within local heat and energy efficiency strategies in Scotland.
- > Scottish specific circumstances need to be reflected in GB wide policy development and regulatory programmes such as RIIO.
- > Consumer protections, such as appropriate redress and complaint handling, for vulnerable consumers within community energy projects and new flexibility services must be prioritised.
- > An open consumer-orientated policy debate on the future of the Fuel Poverty Network Extension Programme in Scotland is needed –and fuel poor consumers who are off the gas grid must be given priority support while decisions are made. This could be targeted at fuel poor electric heating customers as a priority.
- > Vulnerable Scottish consumers, who in the north of Scotland pay some of the highest rates for electricity and are off the gas grid, must be prioritised in any alterations to the GB network charging regime.

In late 2017 we commissioned the Centre for Sustainable Energy (CSE) and Changeworks to undertake a study into the energy distribution network companies operating in Scotland. This study's particular focus was to explore how the energy networks currently support consumers and how their role in Scotland can and should change to ensure consumers, and particularly vulnerable consumers, are most effectively supported. The study's main focus was a series of ten in-depth interviews with key stakeholders

The Consumer Futures Unit (CFU), part of Citizens Advice Scotland, uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.



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